

## Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 L-03 CAB-02 CIAE-00 COME-00  
DODE-00 DOTE-00 INR-10 NSAE-00 FAA-00 PM-05 SP-02  
SS-15 INRE-00 NSCE-00 SSO-00 /058 W  
-----011100 141222Z /20

O R 141156Z APR 78  
FM AMEMBASSY PARIS  
TO SECSTATE WASHDC IMMEDIATE 0099  
INFO AMEMBASSY LONDON  
AMEMBASSY BONN

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E.O. 11652: N/A  
TAGS: EAIR, FR  
SUBJECT: CIVAIR: PANAM CHANGE OF GAUGE

REF: STATE 091204

1. SUMMARY: US NOTE PRODUCED NEGATIVE REACTION AT QUAI D'ORSAY. BOTH QUAI AND DGAC MAINTAIN THAT RIGHT TO CHANGE OF GAUGE IS A VALUE FOR WHICH THERE MUST BE COMPENSATION. ESPEROU HAS SUGGESTED THAT POSSIBLE QUID PRO QUO WOULD BE US UNDERTAKING REDUCE TWA FIFTH FREEDOM OPERATIONS. END SUMMARY.

2. U.S. NOTE PRESENTED TO QUAI D'ORSAY ON APRIL 12 DREW INITIAL STRONG NEGATIVE REACTION. AVIATION DIRECTOR (LAUDE-LAFONTAINE) EMPHATICALLY STATED TO CIVIL AIR ATTACHE THAT FRANCE DOES NOT AGREE AT ALL WITH U.S. POSITION (WHICH HAD BEEN FORESHADOWED IN PAN AM ARGUMENTS TO DGAC AND OUR MAR 22 LETTER TO HER) AND WOULD GIVE THE UNITED STATES AN "APPROPRIATE 'JURIDICAL' REPLY".

3. IN THE COURSE OF FURTHER DISCUSSION, CLAUDE-LAFON-  
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TAINÉ DESCRIBED RIGHT TO CHANGE OF GAUGE --LIKE BLIND SECTOR RIGHTS-- AS A VALUABLE ITEM FOR WHICH THERE MUST BE COMPENSATION. SHE NOTED THAT THE BILATERAL AGREEMENT IS SILENT ON BOTH POINTS. NOTHING IN THE 1946 AGREEMENT PROHIBITS BLIND-SECTOR ARRANGEMENTS, SHE SAID; YET WHEN AIR FRANCE SOUGHT SUCH RIGHTS BETWEEN MONTREAL AND CHICAGO, THE UNITED STATES WAS ADAMANT THAT THERE

BE COMPENSATION. FRANCE, SHE SAID, HAS LEARNED A LOT FROM THE UNITED STATES ABOUT THE IMPORTANCE OF COMPENSATION.

4. WE REJOINED THAT THE PRINCIPLE OF COMPENSATION SEEMED HISTORICALLY TO APPLY TO THE BALANCE OF REVENUES WHICH CARRIERS OF EACH SIDE MIGHT EARN UNDER THE AGREEMENT AND THAT BLIND SECTOR RIGHTS PROVIDED CERTAIN OPPORTUNITIES FOR INCREASED EARNINGS. HOWEVER, CHANGE OF GAUGE WAS OF VALUE PRIMARILY IN RELATION TO COST SAVINGS BY THE CARRIER PROVIDING THE SERVICE, AND THUS DEALT WITH AN AREA OF VALUES NOT PART OF THE BARGAINING PROCESS. INDEED, IT WAS A QUESTION INVOLVING MANAGERIAL PREROGATIVES MORE THAN ANYTHING ELSE. THIS DISTINCTION DID NOT SET WELL WITH CLAUDE-LAFONTAINE WHO REPLIED THAT ITS EFFECT WOULD BE TO IMPROVE THE PROFITABILITY OF THE AMERICAN CARRIER AND DO NOTHING FOR AIR FRANCE.

5. FINALLY, SHE TURNED TO THE 1959 MINUTES WHICH WERE CITED IN THE UNITED STATES NOTE AND POINTED OUT THAT THE DEFINITION OF CHANGE OF GAUGE SPECIFIED ONLY A CHANGE FROM A LARGE AIRCRAFT TO A SMALLER ONE. THAT, SHE SAID, IS WHAT WOULD OCCUR AT LONDON ON EAST BOUND FLIGHTS. BUT THE DEFINITION DOES NOT MENTION CHANGE FROM SMALLER TO LARGE AIRCRAFT WHICH WOULD OCCUR IN THIS CASE ON WESTBOUND FLIGHTS FROM PARIS TO U.S. SHE SAID THIS LIMITED OFFICIAL USE

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WAS A PERSONAL LEGAL VIEW OF HERS, BUT IT IMPLIED THAT

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DODE-00 DOTE-00 INR-10 NSAE-00 FAA-00 PM-05 SP-02

SS-15 INRE-00 NSCE-00 SSO-00 /058 W

-----011095 141221Z /20

O R 141156Z APR 78

FM AMEMBASSY PARIS  
TO SECSTATE WASHDC IMMEDIATE 0100  
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AMEMBASSY BONN

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AT THE MOST PAN AM COULD BRING ITS PASSENGERS TO PARIS ON A 727 AND COULD ONLY TAKE THEM OUT BY USING THE 747 WHICH WOULD MAKE THE THROUGH JOURNEY TO THE UNITED STATES. (NOTE: CLAUDE-LAFONTAINE IS ALSO PROFESSOR OF INTERNATIONAL AIR LAW AT ONE OF THE PARIS INSTITUTES. HER PERSONAL VIEWS THUS MAY HAVE A STRONG WEIGHT WITH THE LEGAL ADVISOR'S OFFICE).

6. COMMENT: IN FURTHER CONVERSATION ON THIS ISSUE APRIL 13 WITH ROBERT ESPEROU (CHIEF OF ECONOMIC AND INTERNATIONAL SERVICE, DGAC) HE WAS EQUALLY ADAMANT. HOWEVER, HE INDICATED THAT THE BASIS OF FRENCH CONCERN FOR COMPENSATION LAY NOT IN THE MONTREAL-CHICAGO QUESTION, BUT IN THE MONTREAL-LOS ANGELES BLIND SECTOR ISSUE OF 1959. THE US, HE MAINTAINED, HAD INSISTED THEN UPON A COMPENSATION FOR WHAT THE FRENCH REGARDED AS ONLY A TECHNICAL CHANGE IN THE SERVICE AND THIS --AS WELL AS OTHER (UNSPECIFIED) HARD AVIATION DEALINGS BY THE U.S. IN RELATION TO FRANCE-- MADE THE GOF ADAMANT THAT IT WAS NOT GOING TO YIELD TECHNICAL ADVANTAGES (WHICH PROMISED ECO-LIMITED OFFICIAL USE

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NOMIC GAIN) LIGHTLY TO THE UNITED STATES.

7. WHEN ASKED WHAT KIND OF COMPENSATION THE GOF MIGHT CONSIDER ADEQUATE FOR APPROVING THE PANAM APPLICATION, HE REPLIED THAT AN UNDERSTANDING TO REDUCE TWA'S FIFTH FREEDOM OPERATIONS (SEE REFTTEL) MIGHT DO THE TRICK. WHEN WE PROTESTED THAT THIS WOULD ACCOMMODATE ONE U.S. CARRIER AT THE EXPENSE OF ANOTHER, ESPEROU SHRUGGED AND SAID THAT WAS THE PRICE THE U.S. HAD TO PAY FOR HAVING SO MANY CARRIERS, IN CONTRAST WITH FRANCE WHICH HAS CONCENTRATED ALL ITS NORTH ATLANTIC INTERESTS IN AIR FRANCE.  
HARTMAN

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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Decaption Date:** 01 jan 1960  
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**Review Markings:**  
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